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**PROVISIONS FOR INDIVIDUALS**



**IN THE AMERICAN RECOVERY AND REINVESTMENT ACT**

**CONTENTS**

Federal Tax Benefits .....	2
Program Benefits .....	5
Housing Benefits .....	7
Additional Resources .....	9

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (ARRA), which contains a combination of tax and spending provisions to weather the economic downturn.

Below, I have provided an inventory of provisions in the bill designed to help individuals with information on how these funds will affect various programs. In the coming weeks and months, the Administration will release additional details about funding sources under the ARRA at [www.recovery.gov](http://www.recovery.gov). Another site with additional information is [www.financialstability.gov](http://www.financialstability.gov).

**FEDERAL TAX BENEFITS:** A number of new federal tax benefits are available, including an immediate reduction in payroll taxes for most workers, increases in the Earned Income and Child Tax Credits, as well as benefits for retirees, parents, people saving for college, first-time homebuyers, car buyers, and more.

**“Making Work Pay” Credit:**

Provides for 2009 and 2010 a refundable tax credit of up to \$400 for working individuals and \$800 for married taxpayers filing joint returns.

This tax credit will be calculated at a rate of 6.2 percent of earned income and will phase out for taxpayers with adjusted gross income in excess of \$75,000, or \$150,000 for married couples filing jointly.

For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take-home pay. The amount of the credit must be reported on the employee's 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their 2009 tax return.

**Economic Recovery Payment:**

A one-time payment of \$250 will be made in 2009 to:

- o Retirees, disabled individuals and Supplemental Security Income (SSI) recipients receiving benefits from the Social Security Administration.
- o Disabled veterans receiving benefits from the U.S. Department of Veterans Affairs.
- o Railroad Retirement beneficiaries.

The IRS will not make this payment — unlike last year's economic stimulus program. If you are currently a Social Security recipient, you do not need to do anything to receive this payment. Payments will go out in early May, 2009. This federal program is administered by the Social Security Administration, and not the State of Pennsylvania. For more information or to see if you

are eligible for benefits, see <http://www.ssa.gov/payment/>.

OPERS beneficiaries who do not pay into Social Security will receive a onetime tax credit. For more information, go to [www.opers.org](http://www.opers.org).

### **First Time Homebuyer Credit:**

Expands the first-time homebuyer credit to include purchases made before Dec. 1, 2009.

The IRS announced Feb. 25 that for first-time homebuyers who purchase in 2009, the maximum credit is \$8,000 and can be claimed on a buyer's 2008 federal tax return. If the home purchase closes after April 15, a taxpayer can still claim the credit on a 2008 tax return by requesting an extension of time to file or filing an amended return. The credit is claimed using Form 5405.

For first-time homebuyers who bought in 2008, the maximum credit is \$7,500 and must be paid back over a period of 15 years.

### **Home Improvement Tax Credits**

Tax credits are now available for home improvements based on the following criteria:

- Improvements must be placed in service from January 1, 2009 through December 31, 2010;
- Improvements must be for taxpayer's principal residence;
- For most home improvements made in 2009 and 2010, a taxpayer cannot claim more than \$1,500 EXCEPT for geothermal heat pumps, solar water heaters, solar panels, fuel cells, and windmills, which are not subject to this cap and are in effect through 2016;
- Homeowners must have a Manufacturer Certification Statement<sup>1</sup> to qualify (for record keeping, save your receipts and the Manufacturer Certification Statement); and,
- Taxpayers must claim improvements made in 2009 will be claimed on 2009 taxes (filed by April 15, 2010), using IRS Tax Form 5695 (2009 version). This form will be available late 2009 or early 2010

If you are building a new home, you can qualify for the tax credit for geothermal heat pumps, photovoltaics, solar water heaters, small wind systems and fuel cells, ***but not the tax credits for windows, doors, insulation, roofs, HVAC, or non-solar water heaters.***

A complete table of improvements and qualifying tax credits is available at [http://www.energystar.gov/index.cfm?c=products.pr\\_tax\\_credits](http://www.energystar.gov/index.cfm?c=products.pr_tax_credits).

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<sup>1</sup>A Manufacturer's Certification is a signed statement from the manufacturer certifying that the product or component qualifies for the tax credit. The IRS encourages manufacturers to provide these Certifications on their website to facilitate identification of qualified products. Taxpayers must keep a copy of the certification statement for their records, but do not have to submit a copy with their tax return.

**Sales Tax Deduction for Vehicle Purchases:**

Provides a deduction for state and local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes and motorcycles through 2009. The deduction is available regardless of whether a taxpayer itemizes deductions on Schedule A. Purchases before Feb. 17, 2009, are not eligible for this special deduction.

The deduction is limited to the tax on up to \$49,500 of the purchase price of an eligible motor vehicle. The deduction is phased out for joint filers with modified adjusted gross income between \$250,000 and \$260,000 and other taxpayers with modified AGI between \$125,000 and \$135,000.

**Expanded Earned Income Tax Credit:**

Provides tax relief to families with three or more children and increases marriage penalty relief. The changes apply for 2009 and 2010.

**Expanded Child Tax Credit:**

Increases the eligibility for the refundable child tax credit in 2009 and 2010 by lowering the earned income threshold to \$3,000 (from \$8,500 in 2008).

**Education Tax Credit:**

Provides “American Opportunity” tax credit for 2009 and 2010 of up to \$2,500 of the cost of tuition and related expenses.

More information on tax credits for individuals and families contained in the American Recovery and Reinvestment Act can be found at [www.irs.gov](http://www.irs.gov).

**PROGRAM BENEFITS:** The ARRA contains a number of extended benefits and additional funding for programs that can benefit individuals.

#### **Unemployment Compensation Benefits:**

Eligible recipients of unemployment compensation benefits can receive up to 59 weeks of unemployment benefits. This 59-week total includes 26 weeks of regular state-funded unemployment benefits, and an additional 33 weeks of federally-funded emergency unemployment benefits (known as EUC benefits).

The federal stimulus package extends the deadline on EUC benefits, so they are available through December 2009. In addition, the American Recovery and Reinvestment Act increases the weekly benefit by \$25.

Eligible individuals will automatically receive payments retroactive to the week of February 21-28, 2009, as soon as the system is updated. The bill also suspends the first \$2,400 paid in unemployment benefits from federal income tax for tax year 2009 only. This adjustment will be made when you file your 2009 federal tax forms.

#### **COBRA Health Insurance Assistance:**

The American Recovery and Reinvestment Act subsidizes 65% of eligible individuals' COBRA health insurance and other state group continuation coverage for workers who lose their jobs. To qualify for COBRA, a worker must have been involuntarily separated between September 1, 2008, and December 31, 2009. Workers who lost their jobs between September 1, 2008 and February 17, 2009 but failed to initially elect COBRA because it was unaffordable, will have an additional 60 days to elect COBRA and receive the subsidy.

This subsidy phases out for individuals whose modified adjusted gross income exceeds \$125,000, or \$250,000 for those filing joint returns. Taxpayers with modified adjusted gross income exceeding \$145,000, or \$290,000 for those filing joint returns, do not qualify for the subsidy.

Please see:

[http://www.ins.state.pa.us/ins/lib/ins/consumer/brochures/COBRA\\_stimulus\\_fact\\_final.pdf](http://www.ins.state.pa.us/ins/lib/ins/consumer/brochures/COBRA_stimulus_fact_final.pdf) for more information about health insurance continuation.

#### **Home Weatherization/Insulation Assistance:**

The Recovery Act does include help for low income Pennsylvanians to reduce their energy costs by weatherizing their homes. Residents who qualify can receive insulation, furnace and other types of assistance. For more information and to find out if you are eligible and to apply, visit: [http://apps1.eere.energy.gov/weatherization/state\\_activities\\_detail.cfm/state\\_abbr=PA](http://apps1.eere.energy.gov/weatherization/state_activities_detail.cfm/state_abbr=PA)

**MAKING HOME AFFORDABLE PROGRAM:** Assists eligible homeowners to refinance or modify their mortgages to prevent foreclosure

Go to <http://www.makinghomeaffordable.gov> to see if you qualify for refinancing or home assistance

Even if you are current on your mortgage, you may be able to lower your interest rate.

To speak to a housing counselor, call **1-888-995-HOPE (4673)**

o HUD-approved housing counselors can help you evaluate your income and expenses and understand your options. This counseling is a free service.

## **FREQUENTLY ASKED QUESTIONS REGARDING PROVISIONS IN THE ARRA AFFECTING THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

### **What new funding opportunities are available for retrofitting properties?**

The stimulus bill has allocated \$250 Million dollars to the office of Affordable Housing Preservation at HUD for its Assisted Housing Stability and Energy and Green Retrofit Investments Stimulus Program. These funds will be distributed through competitive grants and loans to eligible property owners to make energy and green retrofit investments in the property, to ensure the maintenance and preservation of the property.

Further information and the details of the application process can be found at;  
<http://www.hud.gov/recovery/aheretrofith.cfm>

### **How can the Department of Housing and Urban Development help individuals who are in danger of becoming homeless or have recently become homeless?**

The ARRA has made \$1.5 billion available for the Homelessness prevention fund. Over \$1.5 million has been made available to the northwest Pennsylvania region. The Homelessness Prevention fund can offer temporary rental assistance, housing relocation, credit counseling services, utility payments and security or utility deposits.

The HPF also contains provisions that promote the swift re-housing of individuals who have recently become homeless.

These funds are distributed to local governments and non-profit organizations. Contact information for these follows this section.

Further information and the details of the application process are available at:  
<http://www.hud.gov/recovery/homeless-prevention.cfm>

### **How has the Stimulus bill made purchasing a house more affordable?**

The ARRA allows the Federal Housing Administration to increase the limits on its housing loans. These loans, unlike those from conventional lenders, require little cash and are more flexible in calculating income and payment ratios.

The FHA has increased the maximum loan amount to \$729,750 in high-cost areas. This increase will expire on 31 December 2009, when the cap will return to \$625,500.

The maximum loan limits through Freddie Mac and Fannie Mae have also been adjusted by the ARRA. The new limits appear below:

	One Unit	Two Unit	Three Unit	Four Unit
PA-03	\$417,000	\$533,850	\$645,300	\$801,950

### **What provisions exist in the ARRA for elderly homeowners?**

The FHA has also increased the maximum limit for its Home Equity Conversion Mortgage (HECM) product. This reverse mortgage product allows homeowners over 62 to borrow against the value of their homes without selling them or having to make any monthly payments. The loan is repaid with interest only when the homeowner sells the house or dies.

The new maximum limit \$625,500, up from \$417,000.

### **Regional Contact Information**

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HUD [Pittsburgh Field Office](#)

339 Sixth Avenue

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Pittsburgh, PA 15222-2515

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Fax. (412) 644-4240

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**To learn more about programs aimed at addressing the credit crisis available through the Department of the Treasury, go to <http://www.financialstability.gov>.**



## **ADDITIONAL RESOURCES THAT MAY BE OF ASSISTANCE Resources for Unemployed Workers:**

### Unemployment Benefits

Apply for unemployment benefits online at

<http://www.dli.state.pa.us/landi/cwp/view.asp?a=355&q=235224> or toll-free by phone at 1-888-313-7284.

### Commonwealth Workforce Development System (CWDS)

Check out Pennsylvania's Commonwealth Workforce Development System,

<http://www.cwds.state.pa.us>, Pennsylvania's Web site that helps connect Pennsylvania's employers and job seekers through tens of thousands of job openings. These job openings include every skill level, occupation, and salary.

### One-Stop Centers

Visit a One-Stop Center. Locations are viewable at

<http://www.servicelocator.org/search/etasearchoffice.asp?state=PA>. One-Stop Centers provide job-related services from assistance with job searching, to resume writing, to training opportunities.

### Resources for the Unemployed

Visit <http://www.heretohelp.pa.gov/> to view an array of resources for the unemployed, including job search assistance, child care and health care assistance, food assistance and more.

### COMPASS

COMPASS is an online resource that allows residents to evaluate and apply for a variety of programs. COMPASS programs include cash assistance, food stamps, help with childcare, healthcare coverage, home heating assistance, school meals, SelectPlan for women, and long-term living services. COMPASS can be accessed at

<https://www.humanservices.state.pa.us/compass/CMHOM.aspx>.

**Foreclosure Assistance:** Please contact Pennsylvania's Here to Help project at [http://www.heretohelp.pa.gov/portal/server.pt/community/here\\_to\\_help/5068/housing/485208](http://www.heretohelp.pa.gov/portal/server.pt/community/here_to_help/5068/housing/485208) or information, or call the Hope Now toll free hot line at 1-888-995-HOPE. Additionally, the Hope Now website (at <http://www.hopenow.com/index.html>) provides free counseling and mortgage assistance. The Here to Help and Hope Now websites provide information on the foreclosure process, available resources in each county, tips on avoiding "rescue" scams, information on legal assistance, and answers to frequently asked questions. Pennsylvanians who call the hotline are asked a series of questions to identify their needs. Some calls will be forwarded to a housing counselor. Some homeowners who have had a foreclosure case filed against them will be referred for legal assistance. Hope Now housing counselors can also determine if a caller qualifies for foreclosure rescue grants or loans.

**Seniors on a Fixed Income:** Low-income seniors can apply for food assistance at the Pennsylvania Department of Aging at <http://www.aging.state.pa.us/> or through Area Agencies on Aging at 1-866-243-5678. You may be eligible for Meals on Wheels delivered to your home

or to your local senior center. If you need help with paying for your medical care, find out if you are eligible for Medicaid. Applications are available online at <http://medicaidapplication.org/Pennsylvania-Medicaid> or call the Medicaid Consumer Hotline at 1-800-485-5998. If you have a hearing impairment, use the TDD number at 1-800-250-5352.

**Social Security and Supplemental Security Income:** Recipients of Social Security and Supplemental Security Income will receive a one-time payment of \$250. If you are currently a recipient, you do not need to do anything to receive this payment. It is expected to be available in late May. This federal program is administered by the Social Security Administration, and not the State of Pennsylvania. For more information or to see if you are eligible for benefits, see

**Medicaid Benefits Cash Assistance, Child Care, and Health Care:** If you would like to find out if you are eligible for cash assistance, child care assistance, or health care assistance through Medicaid, please contact your county assistance office. You can locate your county assistance office. A list of assistance offices can be found at <http://www.dpw.state.pa.us/About/OIM/003670281.htm>. You can also apply online for many of these programs through COMPASS, accessible at <https://www.humanservices.state.pa.us/compass/CMHOM.aspx>.

**Food Assistance Program:** If you receive food assistance (formerly called food stamps), the stimulus bill provides a 13% increase in the monthly benefit. If you are currently enrolled in the program, you will automatically receive this increase. It will be added to your monthly benefit allowance on your EBT card beginning on April 1, 2009. If you are not currently receiving food assistance and believe you may be eligible, please contact your county assistance office. Your closest office can be located on this list:

<http://www.dpw.state.pa.us/About/OIM/003670281.htm>. Additionally, you can apply online through the COMPASS program at <https://www.humanservices.state.pa.us/compass/CMHOM.aspx>.

**Small Business Loans:** Small business with fewer than 500 employees can apply for new or re-structured loans. Contact your regional Pennsylvania Small Business Development Center online at [www.pasbdc.org](http://www.pasbdc.org).

*For additional information, please contact my office at (814) 456-2038.*